



ONTARIO

**REPORT No. 3**

**OF THE**

**ONTARIO LAW REFORM COMMISSION**

**ON**

**PERSONAL PROPERTY SECURITY  
LEGISLATION**

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**DEPARTMENT OF THE ATTORNEY GENERAL**





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**MAY 28, 1965**



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## ONTARIO LAW REFORM COMMISSION

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TO THE HONOURABLE A. A. WISHART, Q.C.,  
*Attorney-General for Ontario.*

Dear Mr. Attorney:

*Re: The Proposed Personal Property Security Act*

Under the provisions of section 2, subsection 1 (d) of The Ontario Law Reform Commission Act, 1964, 12-13 Eliz. II, c. 78, your Commission was asked to consider and report on a draft Bill designed to reform and make uniform the law regarding security interests in personal property and fixtures.

1. The draft Bill was prepared by a committee under the aegis of the Canadian Bar Association with F. M. Catzman, Q.C., of Toronto as Chairman. The committee included D. E. MacKenzie, J. H. Corrigan, Q.C., T. A. Wardrop, J. G. Torrance, Professor A. S. Abel and Professor Ian F. G. Baxter, all of Toronto. This committee was drawn from members of the Bar of Ontario with wide experience in the practice of commercial law and those engaged in teaching commercial law in the Province. The draft Bill was the result of four years' study by the committee. After the work of the committee had made considerable progress, the project was supported by the Attorney-General of Ontario with the co-operation of the Canadian Bar Association.

2. In February, 1963, the committee made an interim submission to the Attorney-General together with a draft Bill. These were placed before the Attorney-General's Advisory Committee on the Administration of Justice. The draft Bill was approved in principle with suggestions for further consideration and amendment.



3. In February, 1964, the proposed legislation was again considered by the Attorney-General's Advisory Committee, reconstituted as to personnel. It was discussed in some detail and further suggested amendments were submitted. Since then the draft Bill has been extensively considered by the appropriate bodies of the Canadian Bar Association and at a special conference convened under the auspices of the Osgoode Hall Law School on May 1st and 2nd, 1964. This conference was attended by members of the Bar from different parts of Ontario and lawyers from the United States of America who have had experience in the drafting and operation of similar legislation in the United States. Throughout all these discussions the proposed legislation has been approved in principle.

4. In addition, a special committee was set up by the Canadian Bar Association under the chairmanship of the Honourable R. L. Kellock, Q.C., for the purpose of interesting the other Provinces of Canada in the legislation in the hope that some legislative uniformity might be attained. This sub-committee reported at the annual meeting of the Canadian Bar Association on September 3rd, 1964, approving the draft Bill in principle. The report of the sub-committee was unanimously adopted.

5. The draft Bill, although based on Article 9 of the United States Uniform Commercial Code prepared by the American Law Institute, does not follow it precisely. An effort has been made to adapt the American legislation to prevailing commercial customs and legislation in Ontario. The American Uniform Code with some alterations has been adopted in at least thirty States of the Union.

6. The main principle of the draft Bill is to introduce into the law of Ontario the legal concept of a security "interest" in goods, fixtures, documents of title, instruments, securities, chattel paper or intangibles, where the interest is given or reserved to secure payment of money or the performance of an obligation. This includes an interest arising out of the assignment of book debts where given as security.

7. The draft Bill is concerned principally with the fields covered by The Bills of Sale and Chattel Mortgages Act, The Conditional Sales Act, The Assignment of Book Debts Act and The Corporation Securities Registration Act. A "security interest" comprehends the respective rights that a secured party would have under these statutes.

8. Where a security interest is taken or reserved by the seller in goods to secure the payment of all or any part of the purchase price or is taken by a person who gives value that enables a debtor to acquire rights in or use the goods, if such value is applied to acquire such rights

it is referred to throughout the draft Bill as a "purchase-money security interest". This would include what are now known as conditional sales agreements.

9. The goods, documents of title, securities, chattel paper, etc. that are subject to a security interest are referred to throughout the draft Bill as "collateral".

10. The confusion of the law with regard to the giving of security on personal property under the respective Ontario statutes and the technicalities of registration of documents requires no emphasis. To this confusion is added the difficulty of making a meaningful search for encumbrances that have been registered on personal property which may be moved from one county to another; for example, an automobile which may be subject to a conditional sales agreement which is registered in the County of Carleton may be sold in the County of Essex or in any other county in the Province and the purchaser would have great difficulty in knowing where to search for encumbrances.

11. The two main features of the draft Bill are to provide for uniform methods of creating security interests and a central registry system with branch offices throughout Ontario in which searches may be made to determine whether personal property situated in Ontario has been charged to secure an obligation.

12. Under the scheme of the draft Bill there are two essential concepts in creating a security interest valid against third parties, i.e. creditors, subsequent purchasers for value or other holders of security interests:

1. "*attachment*", and
2. "*perfection*".

13. On *attachment* the interest is valid as between the parties but it is not valid as against creditors, subsequent purchasers or subsequent security interests until perfection. Generally speaking, attachment may be accomplished by delivery of possession of the personal property to be charged, that is the collateral, or by the debtor signing a security agreement as provided in the draft Bill, and in both cases value being given. Part II of the draft Bill sets out in detail the provisions as to attachment.

14. It is the *perfection* of the security interest that is important with regard to the rights of third parties and the priorities of persons holding security interests in the same collateral. The perfection of interest is dealt with in Part III of the draft Bill. Delivery of possession of the collateral at the time of attachment perfects a security interest.



Where possession of the collateral is not delivered to the security holder, generally speaking, registration constitutes perfection of the security interest, giving it validity as against creditors, subsequent purchasers and subsequent security interests. It is to be observed that there are special provisions for temporary perfection in instruments or negotiable documents of title: see section 27. Under section 31 a purchaser of goods in the ordinary course of business takes them free from any security interest *created by his seller* even though the purchaser knows of the security interest. It is to be pointed out, however, that the purchaser of goods in the ordinary course of business would take subject to a security interest created by an owner of the goods prior to the sale to the purchaser: for example, if A sold a motor car to B on a time payment plan, creating a purchase-money security interest in favour of A, and B traded the motor car in to C while the purchase money remained unpaid in whole or in part, and C sold the motor car to D in the ordinary course of business, D would take subject to the security interest in A. D cannot protect himself by searching because he does not know from whom C bought the motor car. Your Commission does not see how the last purchaser can be given further legislative protection in this Act against an unscrupulous person. To do so would require some scheme for registration of ownership of personal property which could in any case only be made to apply to certain classes of personal property. The proposed legislation is at least an improvement on the present provisions of The Bills of Sale and Chattel Mortgages Act and The Conditional Sales Act.

15. Where a party delivers possession of personal property, other than inventory, and reserves a purchase-money security interest, his interest is preserved as against the holders of other security interests created by the purchaser, providing the seller registers his security interest within ten days after delivery of possession: see section 35 (3). The intention is to preserve the rights of the holder of a purchase-money security interest when collateral is delivered to a purchaser who has previously created a security interest in his chattels applicable to after-acquired property.

16. Part IV deals with registration. The scheme of the draft Bill contemplates the establishment of a province-wide registry system with a central office of the registration system in Toronto, together with branch offices in all the counties, united counties and the judicial districts. If fixtures are involved provision is made for registration in the appropriate Land Titles Offices or the land Registry Offices. Upon registering in a branch office, a concise summary of the relevant information will be transmitted through electronic devices to the central office of registration. The effective time of registration will be determined by the time the message is received in the central office. Searches will be made by filing



a request at a branch office which will be transmitted by the same electronic devices to the central office so that a certificate may be issued to the party requesting the search. It is proposed that the correctness of the certificate will be guaranteed by an assurance fund. The security agreement when registered will be retained in the branch office and will be effectively registered for a period of three years, but it may be renewed for further three-year periods by filing renewal statements.

17. Your Commission has conferred with Mr. A. A. Russell, Q.C., the Inspector of Legal Offices, who has given much time and consideration to the registration provisions of the draft Bill, and an engineer of The Bell Telephone Company of Canada (without any commitment) for the purpose of verifying that the procedure outlined in the draft Bill is technically and mechanically feasible. We have been assured that communicating devices may be installed that will operate in the branch offices and the central office to provide for registration and searches as contemplated by the draft Bill. Your Commission is not in a position to come to any conclusion as to the economical basis on which the system will operate. We emphasize that the fees for searches and certificates should be kept to a minimum so that the service to the public in providing information as to security transactions will be widely used. In our opinion the principal cost of operation and the maintenance of the assurance fund should fall on those who register under the Act.

18. Part V of the draft Bill deals with rights and remedies on default. To a considerable extent the rights and remedies on default will be determined by the contract made between the parties, but the statute lays down certain provisions conferring rights and giving remedies that cannot be waived. This is an improvement on the present law.

19. Part VI provides for the transitional period and the repeal in whole or in part of certain statutes. Your Commission points out that there are provisions in the statutes to be repealed that will have to be re-enacted: e.g. section 8 of The Bills of Sale and Chattel Mortgages Act. For reasons set out in paragraph 26, your Commission has not yet considered these statutes in detail.

20. Your Commission has exhaustively considered the draft Bill in all its aspects, its purposes and principles, and has examined it clause by clause. Numerous amendments have been suggested, adding provisions to the original Bill and altering other provisions contained in the original text. No useful purpose will be served in commenting in detail on all these amendments and alterations. However, there are certain substantive features of the draft Bill that your Commission feels should be emphasized.

21. Under the draft Bill as originally drawn, an agreement creating a purchase-money security interest in collateral (other than consumer goods as defined in section 1 (e) ) might cover chattels in addition to the property sold without evidence that this provision was expressly drawn to the attention of the purchaser: for example, if A sold a tractor to B on a time payment plan and a security agreement was executed, the agreement might provide that all the assets of B were charged with the payment. Your Commission felt that this would enable a vendor under a time payment plan to take an unfair advantage of a purchaser by having such a clause in a printed form. Your Commission was very strongly of the opinion that there should be a special provision in the draft Bill that where collateral is taken in addition to a purchase-money security interest there should be an affidavit of the debtor stating that he is fully aware of the nature of the transaction and that he knows that the security interest extends to personal property in addition to that included in the purchase-money security interest and that the security interest was not created in fraud of creditors. This is now set out in section 15. Mr. Catzman's committee made strong recommendations that there should be no provisions in the draft Bill for affidavits of this sort and it was suggested that if protective legislation of this nature should be necessary it ought to be incorporated in another Act. Your Commission is unanimously of the view that as far as possible the statutory provisions with regard to security transactions should all be in the same Act and that this is a very necessary protective provision.

22. It is pointed out that there is a very substantial change in principle with reference to the time that priorities are established. Under The Bills of Sale and Chattel Mortgages Act a bill of sale or mortgage operates and takes effect upon execution and delivery. Under section 21 registration must be made within five days (in the Districts, ten days) or the security is void as against creditors and subsequent encumbrancers or purchasers for value and without notice. Under The Conditional Sales Act, section 2, registration must be made within ten days after the execution of the contract, or it is void as against creditors and subsequent encumbrancers or purchasers for value and without notice. In the meantime the charge or lien is valid. Subject to specific exceptions stated in the draft Bill, a security agreement is not valid as against creditors, subsequent encumbrancers or purchasers for value and without notice until it is registered. In any case, if registration is not made within fifteen days the security agreement is void as against third parties. There is no provision for an application to a Judge for extension of time. In the draft Bill as submitted to your Commission no time was fixed within which registration should be made. Your Commission is strongly of the opinion that a holder of a security interest should not be permitted to withhold registration indefinitely. The view of your Commission is that such a



provision would be unfair to ordinary creditors who would, while extending credit, have no way of knowing that the security interest was outstanding, subject to perfection at the will of the security holder. In addition, such a provision could be used as an instrument of fraud.

23. Attention is drawn to the provisions of section 50 which would change the relevant law. Under the provisions of this section, where a debtor assigns his interest in the collateral which is the subject of a perfected security interest and the security holder consents to the assignment, the assignee becomes a debtor and the security interest becomes unperfected unless the secured party registers a notice within fifteen days from the time he consents to the assignment. The effect of this is to create a new relationship of debtor and creditor between the assignee of the collateral and the security holder.

24. Your Commission draws attention to what would appear to be an alteration in the law respecting fixtures. Section 37 provides that a security interest that attached to goods (other than building materials) before they became fixtures has priority over the claim of any person having an interest in the real property. Furthermore, a security interest that attached to goods (other than building materials) after they became fixtures has certain priorities. Exceptions are provided for in subsection 3 which protect subsequent purchasers or mortgagees for value and certain creditors with liens or prior encumbrances. Subsection 4 provides for removal of the collateral on default and subsection 5 for retention upon payment of the amount owing. The provisions of this section would create rights in addition to those arising under The Mechanics' Lien Act. This section may be compared with section 10 of The Conditional Sales Act. In addition attention is drawn to the fact that in the repeal of The Conditional Sales Act there will no longer be provisions similar to section 2, subsection 5, making exemption for manufactured goods, etc., which bear the name and address of the seller painted or printed thereon. See also: *Globe Land Company v. Heaslip*, 60 O.L.R. 499; *Collis v. Carew Lumber Co. Limited*, 65 O.L.R. 520; and *Fess Oil Burners Limited v. Mutual Investments Limited*, 1932 O.R. 203.

25. Under the draft Bill the rights of a seller of a chattel would extend to what are termed "accessions". At common law where goods have been supplied to be installed in or affixed to a chattel, a lien is reserved to a person supplying the goods or doing the work as long as he retains possession of the chattel. Section 39 of the draft Bill would extend this right to a lien after the lienholder has parted with possession. Provision is made for certain exceptions in favour of subsequent purchasers for value and without notice and for rights in the seller to remove the accession on default and the right on the part of a subordinate encumbrancer to retain the chattel upon payment of the amount owing under the security interest.



26. Your Commission is convinced that the draft Bill is useful and constructive legislation and believes that it will serve to modernize the branch of commercial law covered by it. It is recommended that the Bill be introduced and given first reading at the present Session of the Legislature so that it may be critically examined by the legal profession and others interested in this field of commercial law. Amendments to other legislation may be considered in due course in the light of recommendations and suggestions that may be received in the meantime.

All of which is respectfully submitted.

JAMES C. MCRUER,  
*Chairman*

H. ALLAN LEAL,  
*Commissioner*

RICHARD A. BELL,  
*Commissioner*

WILLIAM R. POOLE,  
*Commissioner*

W. GIBSON GRAY,  
*Commissioner*

May 28, 1965.

**THE PROPOSED  
PERSONAL PROPERTY SECURITY ACT**

#### EXPLANATORY NOTE

The purpose of this Bill is to reform and make uniform the law regarding security interests in personal property and fixtures. This is the field of commercial transactions now covered in Ontario by *The Assignment of Book Debts Act*, *The Bills of Sale and Chattel Mortgages Act*, *The Conditional Sales Act* and *The Corporation Securities Registration Act* and in all the large commercial states of the United States by the Uniform Commercial Code upon which this Bill is based.

This Bill was originally developed by a committee under the chairmanship of Fred M. Catzman, Q.C., and was approved in principle by the Canadian Bar Association and the Attorney General's Committee on the Administration of Justice.

The Bill in its present form is the result of intensive study by the Ontario Law Reform Commission and is set out in order that it may reach the many persons and organizations interested in convenient and up-to-date form.

Copies of this Bill and the Report of the Ontario Law Reform Commission which contains explanatory matter may be obtained upon request to the Office of the Attorney General, Parliament Buildings, Toronto.

Comments and suggestions with respect to this Bill will be welcomed and should be addressed to the Attorney General, Parliament Buildings, Toronto.



## DRAFT BILL

### An Act to reform and make uniform the Law regarding Security Interests in Personal Property and Fixtures

**H**ER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

**1.** In this Act,

**Interpre-  
tation**

- (a) “accessions” means goods that are installed in or affixed to other goods;
- (b) “account debtor” means a person who is obligated on chattel paper or on an intangible;
- (c) “chattel paper” means one or more than one writing that expresses both a monetary obligation and a security interest;
- (d) “collateral” means property that is subject to a security interest;
- (e) “consumer goods” means goods that are used or acquired for use primarily for personal, family or household purposes;
- (f) “creditor” includes an assignee for the benefit of creditors, a trustee in bankruptcy, a receiver, and an executor, administrator or committee;
- (g) “debtor” means a person who owes payment or other performance of the obligation secured, whether or not he owns or has rights in the collateral, and includes an assignor of book debts and an assignee of the debtor’s interest in the collateral referred to in subsection 1 of section 50 or such one or more of them as the context requires;
- (h) “default” means the failure to pay or otherwise perform the obligation secured when due or the occurrence of any event whereupon under the terms of the security agreement the security becomes enforceable;

- (i) "document of title" means any writing that purports to be issued by or addressed to a bailee and purports to cover such goods in the bailee's possession as are identified or fungible portions of an identified mass, and that in the ordinary course of business is treated as establishing that the person in possession of it is entitled to receive, hold and dispose of the document and the goods it covers;
- (j) "equipment" means goods that are not inventory or consumer goods;
- (k) "goods" means all chattels personal, other than choses in action and money, and includes emblements and industrial growing crops, and oil, gas and other minerals to be extracted, and timber to be cut, and goods are either consumer goods, equipment or inventory;
- (l) "instrument" means a bill, note or cheque within the meaning of the *Bills of Exchange Act* (Canada), or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, but does not include a writing that constitutes part of chattel paper, a document of title or securities;
- (m) "intangible" means a chose in action, but does not include chattel paper, a document of title, an instrument or securities;
- (n) "inventory" means goods that are held by a person for sale or lease, or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process or materials used or consumed in a business or profession;
- (o) "judge" means a judge of a county or district court;
- (p) "notify" means to take such steps as are reasonably required to give information to the person to be notified so that,
  - (i) it comes to his attention, or
  - (ii) it is directed to such person at his customary address or at his place of residence, or at such other place as is designated by him over his signature,

and "notification" has a corresponding meaning;

- (q) “proceeds” means personal property in any form or fixtures derived directly or indirectly from any dealing with collateral or proceeds or that indemnifies or compensates for collateral destroyed or damaged;
- (r) “purchase-money security interest” means a security interest that is,
  - (i) taken or reserved by the seller of the collateral to secure payment of all or part of its price, or
  - (ii) taken by a person who gives value that enables the debtor to acquire rights in or the use of the collateral, if such value is applied to acquire such rights;
- (s) “registrar” means the registrar of personal property security;
- (t) “secured party” means a person who has a security interest;
- (u) “securities” means shares, stock, warrants, bonds, debentures, debenture stock or the like issued by a corporation or other person, or a partnership, association or government;
- (v) “security agreement” means an agreement that creates or provides for a security interest;
- (w) “security interest” means an interest in goods, other than building materials that have been affixed to the realty, fixtures, documents of title, instruments, securities, chattel papers or intangibles that secures payment or performance of an obligation, and includes an interest arising from an assignment of book debts;
- (x) “value” means any consideration sufficient to support a simple contract.

## PART I

### GENERAL

**2.** Except as otherwise provided in subsection 1 of section 3, <sup>Application of Act</sup> this Act applies to every transaction without regard to its form and without regard to the person who has title to the collateral that in substance creates a security interest, including, without limiting the foregoing,



- (a) a chattel mortgage, conditional sale, equipment trust, floating charge, pledge, trust deed or trust receipt; and
- (b) an assignment, lease or consignment intended as security.

Where Act  
does not  
apply

**3.**—(1) This Act does not apply,

- (a) to a lien given by statute or rule of law, except as provided in section 33;
- (b) to a transfer of an interest or claim in or under any policy of insurance or contract of annuity; or
- (c) to a transaction under *The Pawnbrokers Act*.

R.S.O. 1960,  
c. 290

Rights  
under  
R.S.O. 1960,  
c. 358,  
not  
affected

(2) The rights of buyers and sellers under subsection 2 of section 20 and sections 39, 40, 41 and 43 of *The Sale of Goods Act* are not affected by this Act.

Errors,  
omissions,  
etc.

**4.** A document to which this Act applies is not invalidated nor shall its effect be destroyed by reason only of a defect, irregularity, omission or error therein or in the execution thereof unless, in the opinion of the court, the defect, irregularity, omission or error is shown to have actually misled some person whose interests are affected by the document.

Conflict  
of laws

**5.**—(1) If the office where the assignor of intangibles that are accounts receivable or contract rights keeps the records concerning them is in Ontario, the validity and perfection of a security interest therein and the possibility and effect of proper registration are governed by this Act; otherwise by the law, including the conflict of laws rules, of the jurisdiction where such office is located.

Idem

(2) Where the chief place of business of a debtor is in Ontario, the validity and perfection of a security interest and the possibility and effect of proper registration with regard to intangibles, other than accounts receivable or contract rights, or with regard to goods of a type that are normally used in more than one jurisdiction, if such goods are classified as equipment or classified as inventory by reason of their being leased by the debtor to others, are governed by this Act; otherwise by the law, including the conflict of laws rules, of the jurisdiction where such chief place of business is located.

Idem

(3) If a jurisdiction does not provide, by registration or recording in such jurisdiction, for perfection of a security interest of the kind referred to in subsection 1 or 2, the security interest may be perfected by registration in Ontario.

**6.**—(1) Where personal property, other than that governed by subsection 1 or 2 of section 5, was already subject to a security interest when it was brought into Ontario, the validity of the security interest in Ontario is to be determined by the law, including the conflict of laws rules, of the jurisdiction where the property was when the security interest attached. Conflict of laws, continued

(2) Where goods brought into Ontario are subject to the seller's right of revendication, unless the seller registers a caution (Form 1) within twenty days after the day on which the goods were brought into Ontario, such right is unenforceable in Ontario thereafter. Right of revendication

**7.** A security interest in collateral arising under the law of a jurisdiction other than Ontario in which the property was then located may be perfected in Ontario within fifteen days from the date the property is brought into Ontario, in which case perfection dates from the time of perfection in Ontario. Conflict of laws, continued

**8.**—(1) Upon the report of the Attorney General that legislation similar in effect to this Act and containing provisions of the nature contained in subsections 2 and 3 has been enacted in any other jurisdiction, the Lieutenant Governor in Council may by order in council declare that subsections 2 and 3 apply in respect of such jurisdiction from such date as is set forth in the order, and subsections 2 and 3 are applicable only when such order is made. Reciprocal arrangements

(2) A security interest in collateral already perfected under the law of the jurisdiction in which the collateral was when the security interest attached and before being brought into Ontario continues perfected in Ontario for four months and also thereafter if within the four-month period it is perfected in Ontario. Security interest perfected outside Ontario

(3) Notwithstanding subsection 1, where the secured party receives notice within the four-month period mentioned therein that the collateral has been brought into Ontario, his security interest in the collateral ceases to be perfected in Ontario unless he registers the security agreement covering the collateral within fifteen days from the date that he receives such notice or upon the expiration of the four-month period, whichever is earlier. Where collateral brought into Ontario

## PART II

### VALIDITY OF SECURITY AGREEMENTS AND RIGHTS OF PARTIES

**9.** Except as otherwise provided by this or any other Act, a security agreement is effective according to its terms between the parties to it and against third parties. Effectiveness of security agreement



Enforce-  
ability of  
security  
interest

**10.** A security interest is not enforceable by or against a third party unless,

- (a) the collateral is in the possession of the secured party; or
- (b) the debtor has signed a security agreement that contains a description of the collateral and, if the collateral is or includes fixtures or crops, or oil, gas or other minerals to be extracted, or timber to be cut, a description of the land concerned.

Delivery of  
copy of  
agreement

**11.** Where a security interest is created or provided for by a security agreement, the secured party shall deliver a copy of the security agreement to the debtor within ten days after the execution thereof, and, if he fails to do so after a request by the debtor, a judge may on summary application by the debtor make an order for the delivery of such a copy to the debtor and may make such order as to costs as he deems just.

When  
security  
interest  
attaches

**12.—(1)** A security interest attaches when,

- (a) the parties intend it to attach;
- (b) value is given; and
- (c) the debtor has rights in the collateral.

Idem

(2) For the purpose of subsection 1, the debtor has no rights in,

- (a) crops until they become growing crops;
- (b) fish until they are caught;
- (c) oil, gas or other minerals until they are extracted; or
- (d) timber until it is cut.

After-  
acquired  
property,  
etc.

**13.—(1)** Except as provided in subsection 2, a security agreement may cover the young of animals after conception and after-acquired property.

Exception

(2) No security interest attaches under an after-acquired property clause,

- (a) to crops that become such more than one year after the security agreement has been executed, except that a security interest in crops that is given in conjunction with a lease, purchase or mortgage of land



may, if so agreed, attach to crops to be grown on the land concerned during the term of such lease, purchase or mortgage; or

- (b) to consumer goods, other than accessions, unless the debtor acquires rights in them within ten days after the secured party gives value.

**14.** A purchase-money security interest in consumer goods does not attach to any collateral other than such consumer goods. Limitation on coverage

**15.** Where a security agreement creates or provides for a purchase-money security interest in other than consumer goods and includes collateral in addition thereto, it shall be accompanied by an affidavit of the debtor (Form 2) stating, Where affidavit required

- (a) that the debtor is fully aware of the nature of the transaction and that he knows that the security interest extends to personal property in addition to that included in the purchase-money security interest; and
- (b) that the security interest was not created in fraud of creditors.

**16.** A security agreement may secure future advances or other value whether or not the advances or other value are given pursuant to commitment. Future advances

**17.** Except as to consumer goods, an agreement by a debtor not to assert against an assignee any claim or defence that he has against his seller or lessor is enforceable by the assignee who takes the assignment for value, in good faith and without notice, except as to such defences as may be asserted against the holder in due course of a negotiable instrument under the *Bills of Exchange Act* (Canada). Agreement not to assert defence against assignee

R.S.C. 1952,  
c. 15

**18.** Where a seller retains a purchase-money security interest in goods, Seller's warranties

- (a) *The Sale of Goods Act* governs the sale and any disclaimer, limitation or modification of the seller's warranties; and R.S.O. 1960,  
c. 358
- (b) except as provided in section 17, the conditions and warranties in a sale agreement shall not be affected by any security agreement.

**19.** Where a security agreement provides that the secured party may accelerate payment or performance when he deems himself insecure, such provision shall be construed to mean that he has power to do so only if he in good faith believes that the prospect of payment or performance is impaired. Provision to accelerate

Care of  
collateral

**20.—**(1) A secured party shall use reasonable care in the custody and preservation of collateral in his possession, and, unless otherwise agreed, in the case of an instrument or chattel paper, reasonable care includes taking necessary steps to preserve rights against prior parties.

Idem,  
rights and  
duties of  
secured  
party

(2) Unless otherwise agreed, where collateral is in the secured party's possession,

- (a) reasonable expenses, including the cost of insurance and payment of taxes or other charges incurred in the custody and preservation of the collateral, are chargeable to the debtor and are secured by the collateral;
- (b) the risk of loss or damage, except where caused by the negligence of the secured party, is on the debtor to the extent of any deficiency in any insurance coverage;
- (c) the secured party may hold as additional security any increase or profits, except money, received from the collateral, and money so received, unless remitted to the debtor, shall be applied forthwith upon its receipt in reduction of the secured obligation;
- (d) the secured party shall keep the collateral identifiable, but fungible collateral may be commingled; and
- (e) the secured party may create a security interest in the collateral upon terms that do not impair the debtor's right to redeem it.

Liability  
for loss

(3) A secured party is liable for any loss or damage caused by his failure to meet any obligations imposed by subsection 1 or 2, but does not lose his security interest.

Use of  
collateral

(4) A secured party may use the collateral,

- (a) in the manner and to the extent provided in the security agreement;
- (b) for the purpose of preserving the collateral or its value; or
- (c) pursuant to an order of,
  - (i) the court before which a question relating thereto is being heard; or
  - (ii) a judge upon application by originating notice to all persons concerned.

(5) A secured party,

*Idem*

- (a) is liable for any loss or damage caused by his use of the collateral otherwise than as authorized by subsection 4; and
- (b) is subject to being ordered or restrained as provided in subsection 1 of section 63.

**21.**—(1) A debtor or a person having an interest in the collateral or an execution creditor may, by a notice in writing, require the secured party to furnish him with a statement in writing, Statements  
of account

- (a) of the amount of the indebtedness and of the terms of payment thereof as of the date specified in the notice;
- (b) approving or correcting as of the date specified in the notice a statement of the collateral attached to the notice; and
- (c) approving or correcting as of the date specified in the notice a statement of the amount of the indebtedness and of the terms of payment thereof,

or any one or two of them.

(2) In the case of clause *b* of subsection 1, if the secured party claims a security interest in all of a particular type of collateral owned by the debtor, he may so indicate in lieu of approving or correcting the itemized list of such collateral contained in the statement of the collateral and attached to the notice. *Idem*

(3) The secured party shall answer a notice given under subsection 1 within fifteen days after he receives it, and, if without reasonable excuse he fails so to do or his answer is incomplete or incorrect, he is liable for any loss or damage caused thereby to the debtor or any other person. Time for  
compliance  
with notice;  
liability  
for failure  
to answer

(4) Where the person receiving a notice under subsection 1 no longer has an interest in the obligation or collateral, he shall, within fifteen days after he receives the notice, disclose the name and address of the latest successor in interest known to him, and, if without reasonable excuse he fails so to do or his answer is incomplete or incorrect, he is liable for any loss or damage caused thereby to the debtor or any other person. Successors  
in interest

(5) A successor in interest shall be deemed to be the secured party for the purposes of this section when he receives a notice under subsection 1. *Idem*



## PART III

## PERFECTION OF INTEREST

Time when  
perfected

**22.** A security interest is perfected when,

- (a) it has attached; and
- (b) all steps required for perfection under any provision of this Act have been completed,

regardless of the order of occurrence.

Where  
unperfected  
security  
interest  
subordinate

**23.—**(1) Except as provided in subsection 3, an unperfected security interest is subordinate to,

- (a) the interest of a person,
  - (i) who is entitled to a priority under this or any other Act, or
  - (ii) who, without knowledge of the security interest and before it is perfected, assumes control of the collateral through legal process, or
  - (iii) who represents the creditors of the debtor as assignee for the benefit of creditors, trustee in bankruptcy or receiver; and
- (b) the interest of a transferee who is not a secured party to the extent that he gives value without knowledge of the security interest and before it is perfected,
  - (i) of chattel paper, documents of title, securities, instruments or goods in bulk or otherwise, not in the ordinary course of the business of the transferor and where the transferee receives delivery of the collateral, or
  - (ii) of intangibles.

Idem

(2) The rights of a person under subclause iii of clause a of subsection 1 in respect of the collateral are referable to the date from which his status has effect and arise without regard to the personal knowledge of the representative if any represented creditor was, on the relevant date, without knowledge of the unperfected security interest.

(3) A purchase-money security interest that is registered before or within ten days after the debtor's possession of the collateral commences has priority over, <sup>Purchase-money security interest</sup>

- (a) interests set out in subclause ii or iii of clause *a* of subsection 1; and
- (b) transfers in bulk or otherwise not in the ordinary course of business occurring between the security interest's attaching and its being registered.

**24.**—(1) If a security interest is originally perfected in any way permitted under this Act and is again perfected in some way under this Act without an intermediate period when it was unperfected, the security interest shall be deemed to be perfected continuously for the purposes of this Act. <sup>Continuity of perfection</sup>

(2) An assignee of a security interest succeeds in so far as its perfection is concerned to the position of the assignor at the time of the assignment. <sup>Assignees</sup>

**25.** Except as provided in section 27, possession of the collateral by the secured party, or on his behalf by a person other than the debtor or the debtor's agent, perfects a security interest in, <sup>Perfection by possession</sup>

- (a) chattel paper;
- (b) goods;
- (c) instruments;
- (d) securities;
- (e) letters of credit and advices of credit; or
- (f) negotiable documents of title,

but, subject to section 24, only during its actual holding as collateral.

**26.**—(1) Subject to section 22, registration perfects a security interest in, <sup>Perfection by registration</sup>

- (a) chattel paper;
- (b) goods;
- (c) intangibles; or
- (d) documents of title.

**Idem** (2) A security interest is not perfected until it is registered, except in the case of a security interest,

(a) in collateral in possession of the secured party under section 25; or

(b) temporarily perfected in instruments or negotiable documents of title under section 27.

**Temporary  
perfection**

**27.—**(1) A security interest in instruments or negotiable documents of title is a perfected security interest for the first ten days after it attaches to the extent that it arises for new value given under a registered security agreement.

**Idem**

(2) A perfected security interest in,

(a) an instrument that a secured party delivers to the debtor for the purpose of,

(i) ultimate sale or exchange,

(ii) presentation, collection or renewal, or

(iii) registration of transfer; or

(b) a negotiable document of title or goods held by a bailee that are not covered by a negotiable document of title, which document of title or goods the secured party makes available to the debtor for the purpose of,

(i) ultimate sale or exchange,

(ii) loading, unloading, storing, shipping or transshipping, or

(iii) manufacturing, processing, packaging or otherwise dealing with goods in a manner preliminary to their sale or exchange,

remains perfected for the first ten days after the collateral comes under the control of the debtor.

**Idem**

(3) Beyond the period of ten days referred to in subsection 1 or 2, a security interest under this section becomes subject to the provisions of this Act for perfecting a security interest.

**Perfecting  
as to  
proceeds**

**28.—**(1) Subject to this Act, a security interest in collateral that is dealt with so as to give rise to proceeds,



(a) continues as to the collateral, unless the secured party expressly or impliedly authorized such dealing; and

(b) extends to the proceeds.

(2) Where a security interest in collateral was a perfected <sup>Idem</sup> security interest at the time of the dealing,

(a) the security interest under clause *a* of subsection 1 is perfected in so far as sections 24, 25 and 26 are satisfied; and

(b) the security interest under clause *b* of subsection 1 becomes unperfected ten days thereafter unless expressly covered by a security agreement relating to the original collateral that was at the time of dealing perfected by registration, but there is no perfected security interest in proceeds that are not identifiable or traceable.

**29.**—(1) A security interest in goods in the possession of a bailee who has issued a negotiable document of title covering them is perfected by perfecting a security interest in the document, and any security interest in them otherwise perfected while they are so covered is subject thereto. <sup>Perfecting as to goods held by bailee</sup>

(2) A security interest in goods in the possession of a bailee, <sup>Idem</sup> other than a bailee mentioned in subsection 1, is perfected by,

(a) issuance of a document of title in the name of the secured party;

(b) a holding pursuant to section 25; or

(c) registration as to the goods.

**30.**—(1) A security interest in goods that are sold or exchanged and that are returned to or repossessed by, <sup>Goods returned or repossessed</sup>

(a) the person who sold or exchanged them; or

(b) a transferee of an account or chattel paper resulting from the sale of them,

exists to the extent that the secured indebtedness remains unpaid.

*Idem* (2) Where the security interest was perfected by a registration that is still effective at the time of the sale or exchange, it is a perfected interest, but otherwise requires for its perfection a registration or a taking of possession by the secured party.

*Transferees* (3) A transferee of an intangible resulting from a sale has, as against the transferor, a security interest that is subordinate to the security interest under subsection 1.

*Idem* (4) Except as otherwise provided in section 31, a transferee of chattel paper resulting from a sale has, as against the transferor, a security interest that is subordinate to the security interest under subsection 1.

*Idem* (5) A transferee of an intangible or chattel paper resulting from a sale is, with respect to persons asserting interests in the goods under provisions other than subsections 1 to 4, subject to the provisions of this Act for perfecting a security interest.

*Effect of perfection on purchasers of goods in ordinary course of business*

**31.—**(1) A purchaser of goods from a seller who sells the goods in the ordinary course of business takes them free from any security interest therein given by his seller even though it is perfected and the purchaser actually knows of it.

*Idem, purchasers of chattel paper*

(2) A purchaser of chattel paper who takes possession of it in the ordinary course of business has, to the extent that he gives new value, priority over any other security interest in it,

(a) that was perfected under section 26 if he did not actually know at the time he took possession that the chattel paper was subject to a security interest; or

(b) that has attached to proceeds of inventory under section 28, whatever the extent of his knowledge.

*Idem, purchasers of non-negotiable instruments*

(3) A purchaser of a non-negotiable instrument who takes possession of it in the ordinary course of his business has priority to the extent that he gives new value over a security interest in it that was perfected under section 27 if he did not actually know at the time he took possession that the instrument was subject to a security interest.

*Bona fide purchasers of negotiable instruments, etc.*

**32.—**(1) The rights of,

(a) a holder in due course of a bill, note or cheque within the meaning of the *Bills of Exchange Act* (Canada);

(b) a holder of a negotiable document of title who takes it in good faith for value; or

(c) a *bona fide* purchaser of securities,

are to be determined without regard to this Act and are superior to any security interest whether perfected or not.

(2) Registration under this Act is not such notice as to <sup>Idem</sup> affect the rights of persons mentioned in subsection 1.

**33.** Where a person in the ordinary course of business furnishes materials or services with respect to goods in his possession that are subject to a security interest, any lien that he has in respect of such materials or services has priority over a perfected security interest, unless the lien is given by an Act that provides that the lien does not have such priority. <sup>Priority of liens for materials and services</sup>

**34.** The rights of a debtor in collateral may be transferred voluntarily or involuntarily notwithstanding a provision in the security agreement prohibiting transfer or declaring a transfer to be a default, but no transfer prejudices the rights of the secured party under the security agreement or otherwise. <sup>Alienation of rights of debtors</sup>

**35.—**(1) A perfected security interest in crops or their proceeds given for a consideration to enable the debtor to produce the crops during the production season and given not more than three months before the crops become growing crops by planting or otherwise has priority over an earlier perfected security interest to the extent that such earlier interest secures obligations due more than six months before the crops become growing crops by planting or otherwise, even though the person giving the consideration knew of the earlier security interest. <sup>Special priorities, crops</sup>

(2) A purchase-money security interest in inventory or its proceeds has priority over any other security interest in the same collateral, <sup>Idem, purchase-money security interests, inventory</sup>

(a) if the purchase-money security interest was perfected at the time the debtor received possession of the collateral; and

(b) if any secured party, whose security interest was actually known to the holder of the purchase-money security interest or who, prior to the registration by the holder of the purchase-money security interest, had registered a security agreement covering the



same items or type of inventory, had received notification of the purchase-money security interest before the debtor received possession of the collateral covered by the purchase-money security interest; and

- (c) if such notification states that the person giving the notice had or expected to acquire a purchase-money security interest in inventory of the debtor, describing such inventory by item or type.

Idem,  
purchase-  
money  
security  
interests,  
other than  
inventory

(3) A purchase-money security interest in collateral or its proceeds, other than inventory, has priority over any other security interest in the same collateral if the purchase-money security interest was perfected at the time the debtor obtained possession of the collateral or within ten days thereafter.

Priorities,  
general  
rule

**36.**—(1) If no other provision of this Act is applicable, priority between security interests in the same collateral shall be determined,

- (a) by the order of registration, if the security interests have been perfected by registration;
- (b) by the order of perfection, unless all security interests have been perfected by registration; or
- (c) by the order of attachment under subsection 1 of section 12, if no security interest has been perfected.

Idem

(2) For the purposes of subsection 1, a continuously perfected security interest shall be treated at all times as if perfected by registration, if it was originally so perfected, and it shall be treated at all times as if perfected otherwise than by registration if it was originally perfected otherwise than by registration.

Priority  
of security  
interests,  
fixtures

**37.**—(1) Subject to subsection 3 of this section and notwithstanding subsection 3 of section 35, a security interest that attached to goods before they became fixtures has priority as to the goods over the claim of any person who has an interest in the real property.

Idem

(2) Subject to subsection 3, a security interest that attached to goods after they became fixtures has priority over the claim of any person who subsequently acquired an interest in the real property, but not over any person who had a registered interest in the real property at the time the security interest attached to the goods and who has not consented in writing to the security interest or disclaimed an interest in the goods as fixtures.

(3) The security interests referred to in subsections 1 and 2 <sup>Exceptions</sup> are subordinate to the interest of,

- (a) a subsequent purchaser or mortgagee for value of an interest in the real property;
- (b) a creditor with a lien on the real property subsequently obtained by judicial proceedings; or
- (c) a creditor with a prior encumbrance of record on the real property in respect of subsequent advances,

if the subsequent purchase or mortgage was made or the lien was obtained or the subsequent advance under the prior encumbrance was made or contracted for, as the case may be, without actual knowledge of the security interest.

(4) If a secured party, by virtue of subsection 1 or 2 and <sup>Removal of collateral</sup> subsection 3, has priority over the claim of a person having an interest in the real property, he may on default, subject to the provisions of this Act respecting default, remove his collateral from the real property if, unless otherwise agreed, he reimburses any encumbrancer or owner of the real property who is not the debtor for the cost of repairing any physical injury excluding diminution in the value of the real property caused by the absence of the goods removed or by the necessity for replacement, but a person so entitled to reimbursement may refuse permission to remove until the secured party has given adequate security for any reimbursement arising under this subsection.

(5) A person having an interest in real property that is <sup>Retention of collateral</sup> subordinate to a security interest by virtue of subsection 1 or 2 and subsection 3 may, before the collateral has been removed from the real property by the secured party in accordance with subsection 4, retain the collateral upon payment to the secured party of the amount owing under the security interest having priority over his claim.

**38.** A secured party may, in the security agreement or <sup>Priority subject to subordination</sup> otherwise, subordinate his security interest to any other security interest.

**39.—**(1) Subject to subsection 2 and to section 40 and <sup>Accessions</sup> notwithstanding subsection 3 of section 35,

- (a) a security interest in an accession given by the seller that was perfected before the goods became an accession has priority as to the accession over the claim of any person in respect of the whole;

- (b) a security interest in goods that was perfected after the goods became an accession has priority over the claim of any person who subsequently acquired an interest in the whole, but not against a person who had an interest in the whole at the date of perfection of the security interest in the accession, and who has not consented in writing to the security interest in the accession or disclaimed an interest in the accession as part of the whole.

#### Exceptions

(2) A security interest referred to in subsection 1 is subordinate to the interest of,

- (a) a subsequent purchaser for value of an interest in the whole; or
- (b) a creditor with a lien on the whole; or
- (c) a creditor with a prior perfected security interest in the whole to the extent that he makes subsequent advances,

if the subsequent purchase was made, the lien was obtained or the subsequent advance under the prior perfected security interest was made or contracted for without notice of the security interest.

#### Removal of collateral

(3) If a secured party, by virtue of subsections 1 and 2, has an interest in an accession that has priority over the claim of any person having an interest in the whole, he may, on default, subject to the provisions of this Act respecting default, remove his collateral from the whole if, unless otherwise agreed, he reimburses any encumbrancer or owner of the whole who is not the debtor for the cost of repairing any physical injury excluding diminution in value of the whole caused by the absence of the goods removed or by the necessity for replacement, but a person so entitled to reimbursement may refuse permission to remove until the secured party has given adequate security for any reimbursement arising under this subsection.

#### Retention of collateral

(4) A person having a security interest in an accession that is subordinate to a security interest by virtue of subsections 1 and 2 may, before the collateral has been removed by the second party in accordance with subsection 3, retain the collateral upon payment to the second party of the amount owing under the security interest having priority over his claim.



**40.** A perfected security interest in goods that subsequently become part of a product or mass continues in the product or mass if the goods are so manufactured, processed, assembled or commingled that their identity is lost in the product or mass, and, if more than one security interest attaches to the product or mass, the security interests rank equally according to the ratio that the cost of the goods to which each interest originally attached bears to the cost of the total product or mass.

**41.—**(1) Unless an account debtor has made an enforceable agreement not to assert defences or claims arising out of a sale as provided by section 17, the rights of an assignee are subject to,

- (a) all the terms of the contract between the account debtor and the assignor and any defence or claim arising therefrom; and
- (b) any other defence or claim of the account debtor against the assignor that accrued before the account debtor received notice of the assignment.

(2) The account debtor may pay the assignor until the account debtor receives notice, reasonably identifiable with the relevant rights, that the account has been assigned, and, if requested by the account debtor, the assignee shall furnish proof within a reasonable time that the assignment has been made, and, if he does not do so, the account debtor may pay the assignor.

## PART IV

### REGISTRATION

**42.—**(1) There shall be a registrar of personal property security.

(2) It shall be the function of the registrar, under the direction of the Inspector of Legal Offices, to supervise the operation of the registration system established for the purposes of this Act.

(3) The registrar shall have a seal of office in such form as the Lieutenant Governor in Council approves.

**43.—**(1) The central office of the registration system shall be located at or near the City of Toronto.

- Branch offices (2) A branch office shall be located at or near each county and district town and at such other places as are determined from time to time by the Inspector of Legal Offices.
- Signing officers **44.** The registrar may designate one or more persons on the staff of the central office or a branch office as signing officers to complete the registration of documents and to authenticate certificates under this Act.
- Registrar's certificate **45.** Upon the request of any person and upon payment of the prescribed fee,
- (a) the registrar shall issue a certificate stating whether there is registered at the time mentioned in the certificate a security agreement or other document in which the person named in the certificate is shown as a debtor and, if there is, the registration number of it, and any other information recorded in the office of the registrar;
  - (b) any registered security agreement or other document shall be provided for inspection at the branch office where it was registered; and
  - (c) a certified copy of any security agreement or other document shall be furnished.
- Assurance fund **46.—**(1) An assurance fund, to be known as The Personal Property Security Assurance Fund, shall be formed to compensate persons who suffer loss or damage by reason of the issue of an incorrect certificate under this Act.
- Constitution of fund (2) In order to constitute such a fund, every applicant shall pay such fees for registration and the issue of a certificate as may be prescribed by the Lieutenant Governor in Council.
- Money to be paid into court (3) The moneys payable under this section shall be paid by the registrar into the Supreme Court with the privity of the accountant of the court and shall be placed to the credit of an account entitled "Assurance Fund under *The Personal Property Security Act, 1965*" and, subject to subsection 4, shall be invested from time to time under the direction of the Finance Committee of the Supreme Court, and such of the interest and income derived therefrom shall be credited to the same account as the Finance Committee of the Supreme Court from time to time determines.
- Payment out of fund (4) The moneys in court at the credit of the assurance fund shall on his demand be paid to the Treasurer of Ontario.

(5) If a person suffers loss or damage by reason of the issue of an incorrect certificate under this Act and is unable to recover just compensation, he is entitled to have compensation paid out of the assurance fund so far as the assurance fund is sufficient for that purpose, having regard to any other charges thereon, if he makes a claim therefor to the Inspector of Legal Offices within six years from the time of his having suffered the loss or damage or, in the case of a person under the disability of infancy, mental incompetency or unsoundness of mind, within six years from the date at which the disability ceased.

Assurance  
fund to  
compensate  
persons  
suffering  
damage

(6) The liability of the assurance fund for compensation and the amount of compensation shall, subject to appeal to a judge of the High Court and from him to the Court of Appeal, be determined by the Inspector of Legal Offices.

How com-  
pensation  
to be  
determined

(7) The Inspector of Legal Offices shall certify to the Treasurer of Ontario any amount found to be payable under this section, and, upon receipt of the certificate, the Treasurer shall pay the amount to the person entitled thereto.

Payment

(8) The costs of the proceedings under this section shall be in the discretion of the Inspector of Legal Offices or the court, as the case may be.

Costs

**47.** Documents to be registered under this Act shall be tendered for registration at any branch office established under subsection 2 of section 43, but registration is effective only from the time of the recording thereof in the central office and the assignment thereto of an appropriate registration number.

Where  
documents  
to be  
registered,  
effective  
time of  
registration

**48.—(1)** In order to register under this Act for the purpose of perfecting a security interest, the security agreement or a copy thereof signed by the debtor shall, subject to subsection 2, be registered, and it shall contain and legibly set forth at least,

What is  
to be  
registered

- (a) the full name and address of the debtor;
- (b) the full name and address of the secured party;
- (c) the date of execution of the security agreement;
- (d) a description of the collateral sufficient to identify it;
- (e) the terms and conditions of the security agreement;  
and
- (f) where appropriate, the affidavit provided for in section 16.



Exceptions	(2) Where the collateral was subject to a security interest in another jurisdiction at the time the collateral was brought into Ontario or where it is desired to perfect a security interest in the proceeds of collateral included in an already perfected security interest, the secured party may register a copy of the security agreement signed by the debtor or a caution (Form 1).
What constitutes registration	(3) Registration of a copy signed by the debtor or a caution under this section constitutes registration of the security agreement for the purposes of this Act.
Time limit on registration	(4) Where the collateral is other than instruments, securities, letters of credit, advices of credit or negotiable documents of title, the security agreement shall not be registered after fifteen days from the date of its execution.
Assignments	<p><b>49.</b>—(1) An assignment, or a copy thereof signed by the secured party of record, of a security agreement may also be registered if the security agreement has been registered under this Act previous to the registration of the assignment if the assignment contains and legibly sets forth at least,</p> <ul style="list-style-type: none"> <li>(a) the full name and address of the debtor;</li> <li>(b) the full name and address of the secured party of record; and</li> <li>(c) the registration number given at the time of the registration of the security agreement or, if the assignment is presented for registration at the same time as the security agreement, the registration number of the security agreement that is then endorsed thereon.</li> </ul>
Idem	(2) Upon the registration of an assignment or a copy thereof under subsection 1, the assignee becomes the secured party of record.
Assignment of collateral	<p><b>50.</b>—(1) Where a security interest has been perfected by registration and the debtor with the consent of the secured party assigns his interest in the collateral, the assignee becomes a debtor and the security interest becomes unperfected unless the secured party registers a notice (Form 3) within fifteen days of the time he consents to the assignment.</p>
Where security interest becomes unperfected	(2) Where a security interest has been perfected by registration and the secured party learns that the debtor has assigned his interest in the collateral, the security interest becomes unperfected fifteen days after the secured party learns of the assignment unless he registers a notice (Form 3) within such fifteen days.

(3) A security interest that becomes unperfected under sub-section 1 or 2 may thereafter be perfected by registering a notice (Form 3) or as otherwise provided by this Act. <sup>Second registration</sup>

**51.** An amendment, or a copy thereof, of a security agreement registered under this Act that refers to the registration number of the security agreement that it amends and that is signed by the secured party of record and by the debtor may be registered at any time during the period that the registration of the security agreement is effective. <sup>Amendments</sup>

**52.** A separate agreement signed by the secured party of record that provides for the subordination of a security interest created or provided for by a security agreement registered under this Act and that refers to the registration number of the security agreement may be registered at any time during the period that the registration of the security agreement is effective. <sup>Subordination</sup>

**53.** A renewal statement (Form 4) that is signed by the secured party of record may be registered at any time. <sup>Renewal statements</sup>

**54.—**(1) Where the collateral covered by a security agreement is other than instruments, securities, letters of credit, advices of credit or negotiable documents of title, registration under this Act, <sup>Effective registration</sup>

- (a) of a security agreement constitutes notice thereof to all persons claiming any interest in such collateral during the period of three years following such registration;
- (b) of a renewal statement constitutes notice of the security agreement to which it relates to all persons claiming any interest in such collateral during the period of three years following such registration;
- (c) of any other document constitutes notice thereof to all persons claiming any interest in such collateral during the remainder of the period for which the registration of the security agreement is effective.

(2) Where the collateral is or includes fixtures or goods that may become fixtures, or crops, or oil, gas or other minerals to be extracted, or timber to be cut, the security agreement or any other document that may be registered under this Act containing a description of the land affected sufficient for registration under *The Land Titles Act* or *The Registry Act*, as the case may be, may, whether or not it is registered under this Act, be registered under *The Land Titles Act* or *The Registry Act*. <sup>Fixtures</sup> <sup>R.S.O. 1960, cc. 204, 348</sup>



Discharge of  
security  
agreement

**55.**—(1) Upon performance of all obligations under a security agreement, it shall be discharged, and, upon written demand delivered either personally or by registered mail during the period that the registration of the security agreement is effective by any person having an interest in the collateral to the secured party, the secured party shall sign and deliver personally or by registered mail to the person demanding it, at the place set out in the demand, a certificate of discharge (Form 5) together with unregistered assignments, if any, of the security agreement.

Release of  
part of  
collateral

(2) Where it is agreed to release part of the collateral upon payment or performance of certain of the obligations under a security agreement, then, upon performance of such obligations and upon written demand delivered either personally or by registered mail during the period that the registration of the security agreement is effective by any person having an interest in the collateral to the secured party, the secured party shall sign and deliver personally or by registered mail to the person demanding it, at the place set out in the demand, a release (Form 6) of the collateral as agreed.

Failure to  
deliver

(3) Where the secured party, without reasonable excuse, fails to deliver the required discharge and assignments or release, as the case may be, within ten days after receipt of a demand therefor under subsection 1 or 2, he shall pay \$100 to the person making the demand and any damages resulting from the failure, which sum and damages are recoverable in any court of competent jurisdiction.

Security or  
payment  
into court

(4) Upon application to the county or district court by originating notice to all persons concerned, the judge may,

(a) allow security for or payment into court of the amount claimed by the secured party and such costs as he may fix, and thereupon order that the registration of the security agreement be discharged or that a release of collateral be registered, as the case may be; or

(b) order upon any ground he deems proper that the registration of the security agreement be discharged or that a release of collateral be registered, as the case may be.

Registration  
of dis-  
charges and  
releases

(5) Any discharge of a security agreement and any release of collateral may be registered under this Act.



## PART V

## DEFAULT—RIGHTS AND REMEDIES

**56.**—(1) The rights and remedies referred to in this Part are cumulative. Rights and remedies cumulative

(2) Where the debtor is in default under a security agreement, the secured party has, in addition to any other rights and remedies, the rights and remedies provided in the security agreement except as limited by subsection 5, the rights and remedies provided in this Part and, when in possession, the rights, remedies and duties provided in section 20. Secured party's rights and remedies

(3) The secured party may enforce the security interest by any method available in or permitted by law and, if the collateral is or includes documents of title, the secured party may proceed either as to the documents of title or as to the goods covered thereby, and any method of enforcement that is available with respect to the documents of title is also available, *mutatis mutandis*, with respect to the goods covered thereby. Secured party's remedies

(4) Where the debtor is in default under a security agreement, he has, in addition to the rights and remedies provided in the security agreement and any other rights and remedies, the rights and remedies provided in this Part and in section 20. Debtor's rights and remedies

(5) Except as provided in section 61 and in section 62, the provisions of subsections 3, 4 and 5 of section 59 and of sections 60, 61, 62 and 63, to the extent that they give rights to the debtor and impose duties upon the secured party, shall not be waived or varied, but the parties may by agreement determine the standards by which the rights of the debtor and the duties of the secured party are to be measured, so long as such standards are not manifestly unreasonable having regard to the nature of such rights and duties. Waiver and variation of rights and duties

(6) Where a security agreement covers both real and personal property, the secured party may proceed under this Part as to the personal property or he may proceed as to both the real and the personal property in accordance with his rights and remedies in respect of the real property, in which case this Part does not apply. Where agreement covers both real and personal property

(7) A security interest does not merge merely because a secured party has reduced his claim to judgment. No merger in judgment

Collection  
rights of  
secured  
party

**57.**—(1) Where so agreed and in any event upon default under a security agreement, a secured party is entitled,

- (a) to notify any account debtor or any obligor on an instrument to make payment to him whether or not the assignor was theretofore making collections on the collateral; and
- (b) to take control of any proceeds to which he is entitled under section 28.

Idem

(2) A secured party who by agreement is entitled to charge back uncollected collateral or otherwise to full or limited recourse against the debtor and who undertakes to collect from the account debtors or obligors on instruments shall proceed in a commercially reasonable manner and may deduct his reasonable expenses of realization from the collections.

Secured  
party's  
right to  
take posses-  
sion upon  
default

**58.** Upon default under a security agreement,

- (a) the secured party has, unless otherwise agreed, the right to take possession of the collateral by any method permitted by law;
- (b) if the collateral is equipment and the security interest has been perfected by registration, the secured party may, in a reasonable manner, render such equipment unusable without removal thereof from the debtor's premises, and the secured party shall thereupon be deemed to have taken possession of such equipment; and
- (c) the secured party may dispose of collateral under section 59 on the debtor's premises.

Secured  
party's  
right to  
dispose of  
collateral  
upon  
default

**59.**—(1) Upon default under a security agreement, the secured party may dispose of any of the collateral in its condition either before or after any commercially reasonable repair, processing or preparation for disposition, and the proceeds of the disposition shall be applied consecutively to,

- (a) the reasonable expenses of retaking, holding, repairing, processing, preparing for disposition and disposing of the collateral and, to the extent provided for in the security agreement and not prohibited by law, any other reasonable expenses incurred by the secured party;
- (b) the satisfaction of the obligation secured by the security interest of the party making the disposition; and



- (c) the satisfaction of any obligation secured by the subordinate security interest in the collateral if written demand therefor is received by the party making the disposition before the distribution of the proceeds is completed.

(2) Where a written demand under clause *c* of subsection 1 is received by the secured party, he may request the holder of the subordinate security interest to furnish him with reasonable proof of such holder's interest, and, unless such holder furnishes such proof within a reasonable time, the secured party need not comply with such demand. Request for proof of interest

(3) Collateral may be disposed of in whole or in part, and any such disposition may be by public sale, private sale, lease or otherwise and, subject to subsection 5, may be made at any time and place and on any terms so long as every aspect of the disposition is commercially reasonable. Methods of disposition

(4) The secured party may, subject to subsection 1 of section 61, retain the collateral in whole or in part for such period of time as is commercially reasonable. Secured party's right to delay disposition of collateral

(5) Unless the collateral is perishable or unless the secured party believes on reasonable grounds that the collateral will decline speedily in value, the secured party shall give to the debtor and to any other person who has a security interest in the collateral and who has registered a security agreement under this Act indexed in the name of the debtor or who is known by the secured party to have a security interest in the collateral, not less than fifteen days notice in writing containing, Secured party to give notice of disposition of collateral

- (a) a brief description of the collateral;
- (b) the amount required to satisfy the obligation secured by his security interest;
- (c) the amount of the applicable expenses referred to in clause *a* of subsection 1 or, in a case where the amount of such expenses has not been determined, his reasonable estimate thereof;
- (d) a statement that upon payment of the amounts due the debtor may redeem the collateral;
- (e) a statement that unless the amounts due are paid the collateral will be disposed of and the debtor may be liable for any deficiency; and
- (f) the date, time and place of any public sale or of the date after which any private disposition of the collateral is to be made.



Service of  
notice

(6) The notice required by subsection 5 shall be served personally upon or left at the residence or last known place of abode of the party to be served or may be sent by registered mail to his last known post office address.

Secured  
party's  
right to  
purchase  
collateral

(7) The secured party may purchase the collateral or any part thereof only at a public sale.

Effect of  
disposition  
of collateral

(8) Where collateral is disposed of in accordance with this section, the disposition discharges the security interest of the secured party making the disposition and, if such disposition is made to a *bona fide* purchaser for value, discharges also any subordinate security interest and terminates the debtor's interest in the collateral.

Idem

(9) Where collateral is disposed of by a secured party after default otherwise than in accordance with this section, then,

(a) in the case of a public sale, if the purchaser has no knowledge of any defect in the sale and if he does not purchase in collusion with the secured party, other bidders, or the person conducting the sale; or

(b) in any other case, if the purchaser acts in good faith,

the disposition discharges the security interest of the secured party making the disposition and, where the disposition is made to a purchaser for value, discharges also any subordinate security interest and terminates the debtor's interest in the collateral.

Certain  
transfers of  
collateral

(10) A person who is liable to a secured party under a guarantee, endorsement, covenant, repurchase agreement or the like and who receives a transfer of collateral from the secured party or is subrogated to his rights has thereafter the rights and duties of the secured party, and such a transfer of collateral is not a disposition of the collateral.

Surplus

**60.** Where a security agreement secures an indebtedness and the secured party has dealt with the collateral under section 57 or has disposed of it in accordance with section 59 or otherwise, he shall account for any surplus to any person, other than the debtor, whom the secured party knows to be the owner of the collateral, and, in the absence of such knowledge, he shall account to the debtor for any surplus.

Compulsory  
disposition  
of collateral,  
consumer  
goods

**61.—(1)** Where the security agreement secures an indebtedness and the collateral is consumer goods and the debtor has paid at least 60 per cent of the indebtedness secured and has not signed, after default, a statement renouncing or

modifying his rights under this Part, the secured party who has taken possession of the collateral shall, within ninety days after taking possession, dispose of or contract to dispose of the collateral under section 59, and, if he fails to do so, the debtor may proceed under section 63 or in an action for damages or loss sustained.

(2) In any case other than that mentioned in subsection 1, <sup>Retention of collateral</sup> a secured party in possession of the collateral may, after default, propose to retain the collateral in satisfaction of the obligation secured, and notification of such proposal shall be given to the debtor and to any other person whom such secured party knows to be the owner of the collateral and, except in the case of consumer goods, to any other person who has a security interest in the collateral and who has registered a security agreement under this Act indexed in the name of the debtor or who is known by the secured party in possession to have a security interest in the collateral.

(3) If any person entitled to notification under subsection 2 <sup>Idem</sup> objects in writing within fifteen days after being notified, the secured party in possession shall dispose of the collateral under section 59, and, in the absence of any such objection, such secured party shall, at the expiration of such period of fifteen days, be deemed to have irrevocably elected to retain the collateral in satisfaction of the obligation secured, and thereafter is entitled to hold or dispose of the collateral free of all rights and interests therein of any person entitled to notification under subsection 2 who was given such notification.

**62.** At any time before the secured party has disposed of <sup>Redemption of collateral</sup> the collateral by sale or exchange or contracted for such disposition under section 59 or before the secured party shall be deemed to have irrevocably elected to retain the collateral in satisfaction of the obligation under subsection 2 of section 61, the debtor, or any person other than the debtor who is the owner of the collateral, or any secured party other than the secured party in possession, may, unless he has otherwise agreed in writing after default, redeem the collateral by tendering fulfilment of all obligations secured by the collateral together with a sum equal to the reasonable expenses of retaking, holding, repairing, processing, preparing the collateral for disposition and in arranging for its disposition, and, to the extent provided for in the security agreement and not prohibited by law, the reasonable expenses incurred by the secured party.

**63.—**(1) Where a secured party in possession of collateral <sup>Remedies for failure of secured party to comply with this Part</sup> is not complying with any of the obligations imposed by section 20 or, after default, is not proceeding in accordance



with this Part or the account is disputed, the debtor or any person who is the owner of the collateral or the creditors of either of them or any person other than such secured party who has an interest in the collateral may apply to the Supreme Court or to a county or district court having jurisdiction with respect thereto, and the court may, upon hearing any such application, direct that the secured party comply with the obligations imposed by section 20, or that the collateral be or be not disposed of, or order an account to be taken or make such other or further order as the court deems just.

Idem

(2) If the disposition of the collateral has been made otherwise than in accordance with this Part,

(a) the debtor or any other person entitled to notice under subsection 5 of section 59 or whose security interest has been made known to the secured party prior to the disposition has a right to recover from the secured party any loss or damage caused by the failure to comply with this Part; and

(b) where the collateral is consumer goods, the debtor has a right to recover in any event an amount not less than the credit service charge plus 10 per cent of the principal amount of the debt or the time price differential plus 10 per cent of the cash price.

Removal  
of  
proceedings  
into  
Supreme  
Court

(3) Where an application under subsection 1 is made to a county or district court, a respondent may, by notice served on the applicant and on the other respondents, if any, and filed with proof of service thereof with the clerk of the county or district court not later than the two days preceding the day of the return of the application, require the proceedings to be removed into the Supreme Court.

Transmission  
of  
proceedings

(4) Upon the filing of the notice and proof of service thereof, the clerk of the county or district court shall forthwith transmit the papers and proceedings to the proper office of the Supreme Court in the county or district in which the application is made.

Removal of  
proceedings

(5) When the papers and proceedings are received at the proper office of the Supreme Court, the proceedings are *ipso facto* removed into the Supreme Court.

Reference  
to master

(6) Where an application under subsection 1 is made to or is removed into the Supreme Court, the court may refer any question to a master or other officer for inquiry and report.

Appeal

(7) An appeal lies to the Court of Appeal from any order made under this section.



## PART VI

## MISCELLANEOUS

**64.** This Act applies only where the security interest <sup>Transitional provision</sup> attaches on or after the day on which this Act came into force, and, except as provided in sections 65 and 66, where the security interest attached before this Act came into force, the security interest continues to have such force and effect as if this Act had not been passed.

**65.**—(1) Every security interest that was covered by an <sup>Idem</sup> unexpired filing or registration when this Act came into force shall be registered under this Act by the registration of a notice as to the security interest signed by the officer with whom it is filed or registered with effect as of the date when this Act came into force.

(2) The officer referred to in subsection 1 shall send a <sup>Idem</sup> copy of such notice to every holder of record of a security interest that is registered under *The Assignment of Book Debts Act* or *The Corporation Securities Registration Act* together with a notice stating that the registration will expire three years after the day on which this Act came into force unless renewed under this Act. <sup>R.S.O. 1960, cc. 24, 70</sup>

(3) Registration of the notice shall continue the existing <sup>Idem</sup> effect of the prior filing or registration as a perfection for its remaining life or for three years, whichever is the shorter.

**66.** A secured party having security interest that was <sup>Idem</sup> covered by an unexpired filing or registration when this Act came into force may, if he thinks fit, register it thereafter as if it were a newly-attached security interest without prejudice to his position under subsection 1 of section 65.

**67.** Unless otherwise provided in this Act, the Rules of <sup>Rules of practice</sup> Practice and Procedure of the Supreme Court apply to proceedings under this Act.

**68.** Any general or special Act or any provision thereof <sup>References</sup> that relates to a security interest, including *The Assignment of Book Debts Act*, *The Bills of Sale and Chattel Mortgages Act*, *The Conditional Sales Act* and *The Corporation Securities Registration Act*, shall be deemed to refer to this Act or to the corresponding provision of this Act, as the case may be. <sup>R.S.O. 1960, cc. 24, 34, 61, 70</sup>

**69.** Where books, documents, cards or papers have been <sup>Destruction of documents</sup> preserved for the purposes of this Act for so long that it appears they need not be preserved any longer, the Inspector of Legal Offices may authorize their destruction.

Repeal: **70.** The following are repealed:

- |                       |   |
|-----------------------|---|
| R.S.O. 1960,<br>c. 24 | 1. <i>The Assignment of Book Debts Act.</i>                               |
| R.S.O. 1960,<br>c. 34 | 2. <i>The Bills of Sale and Chattel Mortgages Act.</i>                    |
| 1960-61,<br>c. 6      | 3. <i>The Bills of Sale and Chattel Mortgages Amendment Act, 1960-61.</i> |
| R.S.O. 1960,<br>c. 61 | 4. <i>The Conditional Sales Act.</i>                                      |
| 1962-63,<br>c. 18     | 5. <i>The Conditional Sales Amendment Act, 1962-63.</i>                   |
| R.S.O. 1960,<br>c. 70 | 6. <i>The Corporation Securities Registration Act.</i>                    |

Commence-  
ment **71.** This Act comes into force on a day to be named by the Lieutenant Governor by his proclamation.

Short title **72.** This Act may be cited as *The Personal Property Security Act.*

FORM 1

(Sections 6 (2) and 48 (2) )

CAUTION

Full Name of Original Debtor.....  
Address of Original Debtor.....  
Full Name of Secured Party.....  
Address of Secured Party.....  
Description of Collateral Sufficient to Identify It:

(If Caution is being registered to perfect a security interest in the proceeds of collateral included in an already perfected security interest, and the already perfected security interest was perfected by registration under this Act, insert:)

\*Assigned  
by the  
Registrar

\*Registration Number of Security Agreement.....  
Date of Registration.....

(If the security agreement has been assigned, also insert:) Full Name(s) of Assignee(s) (in order of the assignments)..... ..... Address(es) of Assignee(s)..... *Registration Number(s) of the Assignment(s)..... Date(s) of Registration.....
(If the Debtor's interest in the collateral has been assigned, insert:) Full Name(s)† of Assignee(s) (in order of the assignments).... ..... Addresses(es)† of Assignee(s)..... *Registration Number(s) of the Notice(s) of Assignment of collateral..... Date(s) of Registration.....
(If the security agreement has been amended, insert:) *Registration Number(s) of Amendment(s)..... Date(s) of Registration..... Nature of Amendment(s).....



The undersigned certifies that:

the collateral described above has been brought into Ontario and was subject to a security interest in another jurisdiction, namely

....., at the time it was brought into Ontario.  
Registration detail in that jurisdiction:

OR..... it is desired to perfect a security interest in the collateral described above, being the proceeds of collateral included in an already perfected security interest. The security interest in the original collateral was perfected in the following manner: *(state manner of perfection, such as by registration, taking of possession, etc.)*

Dated at.....this.....day of....., 19...

.....  
Signature of Secured Party of Record

† In the case of an assignment without the consent of the secured party but of which he learned, the name and address of the assignee as known to the secured party are sufficient.

FORM 2

(Section 16)

AFFIDAVIT OF DEBTOR

County (or District) of

To Wit:

}

I, ....., of the.....  
of....., in the.....of.....,  
....., make oath and say:

1. That I am the debtor referred to in the accompanying security agreement.

2. That I am fully aware of the nature of the transaction and that I know that the security interest extends to personal property in addition to that included in the purchase-money security interest.

3. That the security interest was not created in fraud of creditors.

Sworn before me at the.....

of.....

in the.....

of.....

this.....day of.....,

19....

.....  
Signature of Debtor

A Commissioner, etc.

FORM 3

(Section 50)

NOTICE OF ASSIGNMENT OF COLLATERAL

Full Name of Original Debtor.....

Address of Original Debtor.....

\*Registration Number of Security Agreement.....

Date of Registration.....

\*Assigned  
by the  
Registrar

(If the Debtor's interest in the collateral has been assigned, insert:)

Full Name(s)† of Assignee(s) (in order of the assignments)....

.....

Address(es)† of Assignee(s).....

\*Registration Number(s) of the Notice(s) of Assignment of  
collateral.....

Date(s) of Registration.....

(If the security agreement has been assigned, insert:)

Full Name(s)† of Assignee(s) (in order of the assignments).....

.....

Address(es)† of Assignee(s).....

\*Registration Number(s) of the Assignment(s).....

Date(s) of Registration.....

The undersigned certifies that:

- (1) the Debtor under the security agreement referred to above intends to assign, with the consent of the undersigned, his interest in the collateral covered thereby to.....

or

- (1) the Debtor under the security agreement referred to above assigned his interest in the collateral covered thereby to.....  
.....of which assignment the undersigned learned on the.....(date).....;

- (2) the full name and address of the said.....

referred to in (1) above are:

full name.....

address.....

Dated at.....this.....day of....., 19...

.....  
Signature of Secured Party of Record

† In the case of an assignment without the consent of the secured party but of which he learned, the name and address of the assignee as known to the secured party are sufficient.



FORM 4

(Section 53)

RENEWAL STATEMENT

Full Name of Original Debtor.....

Address of Original Debtor.....

\* Assigned  
by the  
Registrar

\*Registration Number of Security Agreement.....

Date of Registration.....

(If the security agreement has been assigned, insert:)

Full Name(s) of Assignee(s) (in order of the assignments).....

Address(es) of Assignee(s).....

\*Registration Number(s) of the Assignment(s).....

Date(s) of Registration.....

(If the security agreement has been amended, insert:)

\*Registration Number(s) of Amendment(s).....

Date(s) of Registration.....

Nature of Amendment(s).....

(If a Release of Collateral has been granted, insert:)

\*Registration Number(s) of Release(s) of Collateral.....

Date(s) of Registration.....

Description of Collateral Released Sufficient to Identify It:

(If prior renewal statements have been registered, insert:)

\*Registration Number(s) of Renewal Statement(s).....

Date(s) of Registration.....

(If the Debtor's interest in the collateral has been assigned, insert:)

Full Name(s)† of Assignee(s) (in order of the assignments)....

Address(es)† of Assignee(s).....

\*Registration Number(s) of the Notice(s) of Assignment of  
collateral.....

Date(s) of Registration.....

The undersigned certifies that:

- (1) the undersigned is the secured party of record in reference to the security agreement referred to above;
- (2) the debtor is still indebted under the security agreement; and
- (3) the registration hereof is not for any fraudulent purpose.

Dated at.....this.....day of....., 19...

.....  
Signature of Secured Party of Record

† In the case of an assignment without the consent of the secured party but of which he learned, the name and address of the assignee as known to the secured party are sufficient.

FORM 5

(Section 55 (1) )

CERTIFICATE OF DISCHARGE

Full Name of Original Debtor.....

Address of Original Debtor.....

\*Assigned  
by the  
Registrar

\*Registration Number of Security Agreement.....

Date of Registration.....

(If the security agreement has been assigned, insert:)

Full Name(s) of Assignee(s) (in order of the assignments).....

.....

Address(es) of Assignee(s).....

\*Registration Number(s) of the Assignment(s).....

Date(s) of Registration.....

The undersigned certifies that:

- (1) he is the person entitled by law to discharge the security agreement;  
and
- (2) the security agreement referred to above is discharged.

Dated at.....this.....day of....., 19...

.....  
Signature of Secured Party of Record



FORM 6

(Section 55 (2) )

RELEASE OF COLLATERAL

Full Name of Original Debtor.....

Address of Original Debtor.....

\*Assigned  
by the  
Registrar

\*Registration Number of Security Agreement.....

Date of Registration.....

(If the security agreement has been assigned, insert:)

Full Name(s) of Assignee(s) (in order of the assignments).....

.....

Address(es) of Assignee(s).....

\*Registration Number(s) of the Assignment(s).....

Date(s) of Registration.....

(If the Debtor's interest in the collateral has been assigned, insert:)

Full Name(s)† of Assignee(s) (in order of the assignments)....

.....

Address(es)† of Assignee(s).....

\*Registration Number(s) of the Notice(s) of Assignment of collateral.....

Date(s) of Registration.....

The undersigned certifies that:

- (1) he is the person entitled by law to release the collateral described below;
- (2) the collateral described below is released from the security interest created or provided for by the security agreement referred to above.

(Here insert a description of the collateral sufficient to identify it:)

Dated at.....this.....day of....., 19...

.....  
Signature of Secured Party of Record

† In the case of an assignment without the consent of the secured party but of which he learned, the name and address of the assignee as known to the secured party are sufficient.



